



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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January 31, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *for*
Auditor-Controller

SUBJECT: **COUNTYWIDE PAYROLL/PERSONNEL RISK ASSESSMENT AND
AUDIT PLAN (Board Agenda Item No. 49-A, September 11, 2007)**

On September 11, 2007, based on issues identified in our audit of the Department of Children and Family Services (DCFS) payroll/personnel operations, your Board directed the Auditor-Controller, in conjunction with the Chief Executive Officer (CEO), to report back on how the Auditor-Controller's regular audit function can be utilized to more directly address Countywide or multi-departmental payroll/personnel problems.

As part of our review, we conducted a risk assessment of the payroll/personnel operations of 34 County departments. Our assessment did not include DCFS, the Department of Public Social Services, the Department of Mental Health or the Registrar-Recorder/County Clerk because these departments were either recently audited or are currently being audited. We evaluated the 34 departments based on specific factors and discussed the results of our assessment with the CEO, the Department of Human Resources (DHR) and the Auditor-Controller's Countywide Payroll and Systems (eCAPS) Divisions.

To address the Board's concerns, we plan to conduct payroll/personnel audits of the 34 departments according to potential risk. Based on our assessment, the Departments of Health Services, Probation, Sheriff, and Internal Services have the highest potential risk and will be reviewed first.

"To Enrich Lives Through Effective and Caring Service"

We estimate that completing payroll/personnel audits of all 34 County departments will take approximately six years. Additional time may be required depending on the number of future Board/Special assignments, available staff resources and possible changes in audit priorities over the next six years.

Selection Criteria and Scope of Future Audits

We developed a checklist of 13 factors to evaluate the risk of payroll/personnel issues in County departments. For example, we considered the number of budgeted positions, total salary and wage expense, overtime, including overtime budget variances, the number of employees receiving sick and/or industrial accident pay, allegations substantiated by the Office of County Investigations, etc. We also considered the number of material Internal Control Certification Program (ICCP) payroll/personnel weaknesses reported by the departments, and the time since the last payroll/personnel audit, including the materiality and type of prior findings and recommendations. The ICCP is a questionnaire developed by the Auditor-Controller to enable County department managers to evaluate internal controls in all their fiscal areas, to reduce the risk of error, fraud and other improper activities.

Our proposed payroll/personnel audits will include evaluating departments' compliance with County payroll and personnel policies in areas such as overtime, leave accounting, industrial accidents, time reporting and processing, bonus eligibility and approval, etc. The audits will include departments' regional offices, if applicable.

We will continue to review departments' reported payroll/personnel weaknesses identified on their ICCP on an ongoing basis and will follow up with departments who report material weaknesses. Other existing resources, such as the County Fiscal Manual and DHR's Interpretive Manual are also available to departments.

In addition, DHR conducts regular and special audits of County departments' payroll and personnel activities to ensure compliance with the Charter, Civil Service Rules, and policy guidelines. We will continue to work with DHR and ensure that our proposed audits include all critical payroll/personnel areas, without duplicating efforts.

Countywide Training

As part of our payroll/personnel audits, we will evaluate whether departmental staff would benefit from training in any specific areas and ensure the needed training is provided. For example, in November 2007, we provided training to DCFS payroll staff focusing on the most significant areas identified during our audit of the Department. In addition, the Auditor-Controller Countywide Payroll Division is developing a payroll training program which will be offered to all departments starting April 2008. We will

continue to work with County departments to schedule ongoing and annual refresher payroll training as necessary.

Implementation of eCAPS Modules

The Auditor-Controller is in the process of implementing the Time Collection and the eHR modules as part of Phase II and III of the eCAPS project. These modules will help reduce risks in some payroll areas, such as time card preparation and overtime controls. For example, the eCAPS Time Collection module provides a web-based, electronic timesheet with automated approvals, which will eliminate manual steps to process timesheets and prevent employees from changing their approved timesheets. As the eCAPS modules are implemented, we will modify our audit procedures and training program accordingly.

We discussed our risk assessment and audit plan with the CEO, DHR, and our Countywide Payroll and Systems (eCAPS) Divisions. They generally agree with our risk assessment and audit plan.

Please call me if you have any questions, or your staff may contact Jim Schneiderman at (626) 293-1101.

JTM:MMO:JLS

c: William T Fujioka, Chief Executive Officer
Sachi A. Hamai, Executive Officer
Michael J. Henry, Director of Personnel, Department of Human Resources
Department Heads
Department Administrative Deputies
Public Information Office
Audit Committee

**AUDITOR-CONTROLLER
PAYROLL/PERSONNEL RISK ASSESSMENT RESULTS**

High Risk Departments

1. Health Services
2. Probation
3. Sheriff
4. Internal Services
5. Fire
6. Public Health
7. Child Support Services
8. Parks and Recreation
9. Assessor
10. Public Works

Medium Risk Departments

11. District Attorney
12. Public Defender
13. Office of Public Safety
14. Community and Senior Services
15. Treasurer and Tax Collector
16. Public Library
17. Agricultural Commissioner/Weight & Measures
18. Chief Executive Office
19. County Counsel
20. Alternate Public Defender
21. Museum of Art
22. Consumer Affairs

Low Risk Departments

23. Animal Care and Control
24. Coroner
25. Museum of Natural History
26. Military and Veterans Affairs
27. Beaches and Harbors
28. Executive Office of the Board of Supervisors
29. Human Resources
30. Office of Affirmative Action Compliance
31. Office of Ombudsman
32. Chief Information Office
33. Human Relations Commission
34. Regional Planning